

## **FEDERAL RESERVE SYSTEM**

### **Agency information collection activities: Proposed collections; comment request**

**AGENCY:** Board of Governors of the Federal Reserve System

#### **SUMMARY: Background**

On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act, as per 5 CFR 1320.16, to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board under conditions set forth in 5 CFR 1320 Appendix A.1. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the OMB 83-Is and supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

#### **Request for comment on information collection proposals**

The following information collections, which are being handled under this delegated authority, have received initial Board approval and are hereby published for comment. At the end of the comment period, the proposed information collections, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. whether the proposed collections of information are necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. the accuracy of the Federal Reserve's estimate of the burden of the proposed information collections, including the validity of the methodology and assumptions used;
- c. ways to enhance the quality, utility, and clarity of the information to be collected; and
- d. ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology.

**DATES:** Comments must be submitted on or before December 27, 2004.

**ADDRESSES:** You may submit comments, identified by FR 2058, FR Y-7, FR Y-9, FR Y-11, or FR 2314 by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at

<http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket number in the subject line of the message.
- FAX: 202/452-3819 or 202/452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20<sup>th</sup> Street and Constitution Avenue, N.W., Washington, DC 20551.

All public comments are available from the Board's web site at

[www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm](http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm) as submitted, except as necessary for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board's Martin Building (20th and C Streets, N.W.) between 9:00 a.m. and 5:00 p.m. on weekdays.

**FOR FURTHER INFORMATION CONTACT:** A copy of the proposed forms and instructions, the Paperwork Reduction Act Submission (OMB 83-I), supporting statements, and other documents that will be placed into OMB's public docket files once approved may be requested from the agency clearance officer, whose name appears below.

Cynthia Ayouch, Federal Reserve Board Clearance Officer (202-452-3829), Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may contact (202-263-4869), Board of Governors of the Federal Reserve System, Washington, DC 20551.

**Proposal to approve under OMB delegated authority the extension for three years, without revision, the following report:**

*Report title:* Notification of Foreign Branch Status

*Agency form number:* FR 2058

*OMB control number:* 7100-0069

*Frequency:* on occasion

*Reporters:* Member banks, bank holding companies, and Edge and agreement corporations

*Annual reporting hours:* 20 hours

*Estimated average hours per response:* 15 minutes

*Number of respondents:* 79

*General description of report:* This information collection is mandatory (12 U.S.C. 321, 601, and 602 (member banks)); (12 U.S.C. 615 (Edge corporations)); (12 U.S.C. 601 (agreement corporations)); and (12 U.S.C. 1844(c) (bank holding companies)) and is not regarded as confidential.

*Abstract:* Member banks, bank holding companies, and Edge and agreement corporations are required to notify the Federal Reserve of the opening, closing, or relocation of a foreign branch. The Federal Reserve needs the information collected on the FR 2058 to fulfill supervisory responsibilities specified in Regulation K including the supervision of foreign branches of U.S. banking organizations. The information submitted on the FR 2058 notification is the primary means by which the Federal Reserve monitors the current operating status of foreign branches of U.S. banking organizations. The information is needed in order to evaluate the organization's international exposure and to update the Federal Reserve's structure files on U.S. banking organizations. The information enables the Federal Reserve to evaluate an organization's development over time. The FR 2058 notification is the only source of this information.

**Proposal to approve under OMB delegated authority the extension for three years, with revision, of the following reports:**

1. *Report title:* Reports of Foreign Banking Organizations.

*Agency form numbers:* FR Y-7, FR Y-7N, FR Y-7NS, and FR Y-7Q.

*OMB control number:* 7100-0125.

*Frequency:* Quarterly and annually.

*Reporters:* Foreign banking organizations (FBOs).

*Annual reporting hours:* 5,384 hours.

*Estimated average hours per response:*

FR Y-7: 3.50 hours,

FR Y-7N (quarterly): 6 hours,

FR Y-7N (annual): 6 hours,

FR Y-7NS: 1 hour,

FR Y-7Q (quarterly): 1.25 hours,

FR Y-7Q (annual): 1 hour.

*Number of respondents:*

FR Y-7: 257,

FR Y-7N (quarterly): 129,

FR Y-7N (annual): 137,

FR Y-7NS: 170,

FR Y-7Q (quarterly): 52,

FR Y-7Q (annual): 136.

*General description of report:* This information collection is mandatory (12 U.S.C. §§601-604a, 611-631, 1844(c), 3106, and 3108(a)). Confidential treatment is not routinely given to the data in these reports. However, the FR Y-7Q data will be held confidential until 120 days after the as-of date. Also, confidential treatment for information, in whole or in part, on any of the reporting forms can be requested in accordance with the instructions to the form, pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)].

*Abstract:* The FR Y-7 is filed by all foreign banking organizations (FBOs) that engage in banking in the United States, either directly or indirectly, to update their financial and organizational information. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations.

The FR Y-7N collects financial information for U.S. nonbank subsidiaries held by FBOs other than through a U.S. bank holding company or bank. This report consists of a balance sheet and income statement; information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet items, and loans; and a memoranda section. The FR Y-7NS collects net income, total assets, equity capital, and total off-balance-sheet items for smaller, less complex subsidiaries.

The FR Y-7Q collects consolidated capital and asset information from all FBOs. The report collects tier 1 capital, total risk-based capital, risk-weighted assets, and total assets.

*Current Actions:* The Federal Reserve proposes to revise the FR Y-7 by requiring that only top-tier FBOs file the FR Y-7 report, modifying the cover pages, changing the order of the report and instructions, and clarifying several areas in the instructions. The Federal Reserve proposes to revise the FR Y-7 to be consistent with the reporting requirements detailed in the *Annual Report of Bank Holding Companies* (FR Y-6; OMB No. 7100-0124), *Report of Changes in Organizational Structure* (FR Y-10; OMB No. 7100-0297), and the *Report of Changes in FBO Organizational Structure* (FR Y-10F; OMB No. 7100-0297). The proposed revisions to the FR Y-7 would be effective beginning with fiscal year-ends of December 31, 2004; the Federal Reserve requests specific comment on this effective date. The Federal Reserve also proposes to revise the FR Y-7N reporting instructions with respect to balances due from related organizations, to insure consistent reporting of unconsolidated subsidiaries, and to parallel changes proposed for other nonbank subsidiary reports. The revisions to the FR Y-7N would be effective as of the March 31, 2005, report date.

## *2. Report title:* Financial Statements for Bank Holding Companies

*Agency form number:* FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-9CS, and FR Y-9ES

*OMB control number:* 7100-0128

*Frequency:* Quarterly, semiannually, and annually

*Reporters:* Bank holding companies (BHCs)

*Annual reporting hours:* 399,192

*Estimated average hours per response:*

FR Y-9C: 35.40 hours,

FR Y-9LP: 4.75 hours,

FR Y-9SP: 4.85 hours,

FR Y-9ES: 30 minutes,

FR Y-9CS: 30 minutes.

*Number of respondents:*

FR Y-9C: 2,240,  
FR Y-9LP: 2,590,  
FR Y-9SP: 3,253,  
FR Y-9ES: 87,  
FR Y-9CS: 600.

*General description of report:* This information collection is mandatory (12 U.S.C. 1844(c)). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6) and (b)(8) of the Freedom of Information Act [5 U.S.C. §§522(b)(4), (b)(6) and (b)(8)].

*Abstract:* The FR Y-9C collects basic financial data from a domestic bank holding company (BHC) on a consolidated basis in the form of a balance sheet, an income statement, and detailed supporting schedules, including a schedule of off-balance-sheet items, similar to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No.7100-0036). The FR Y-9C collects data from the BHC as of the end of March, June, September, and December. The FR Y-9C is filed by top-tier BHCs with total consolidated assets of \$150 million or more and lower-tier BHCs that have total consolidated assets of \$1 billion or more. In addition, multibank holding companies with total consolidated assets of less than \$150 million with debt outstanding to the general public or engaged in certain nonbank activities must file the FR Y-9C.

The FR Y-9LP collects basic financial data from domestic BHCs on an unconsolidated, parent-only basis in the form of a balance sheet, an income statement, and supporting schedules relating to investments, cash flow, and certain memoranda items. This report is filed as of the end of March, June, September, and December on a parent company only basis by each BHC that files the FR Y-9C. In addition, for tiered BHCs, a separate FR Y-9LP must be filed for each lower-tier BHC.

The FR Y-9SP is a parent company only financial statement filed by smaller BHCs as of the end of June and December. Respondents include one-bank holding companies with total consolidated assets of less than \$150 million and multibank holding companies with total consolidated assets of less than \$150 million that meet certain other criteria. This form is a simplified or abbreviated version of the more extensive parent company only financial statement for large BHCs (FR Y-9LP). This report collects basic balance sheet and income information for the parent company, information on intangible assets, and information on intercompany transactions.

The FR Y-9CS is a free form supplement that may be utilized to collect any additional information deemed to be critical and needed in an expedited manner. It is intended to supplement the FR Y-9C and FR Y-9SP reports.

The FR Y-9ES collects financial information from employee stock ownership plans (ESOPs) that are also BHCs on their benefit plan activities as of December 31. It consists of four schedules: Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

*Current Actions:* The Federal Reserve proposes to modify information collected on the FR Y-9C and FR Y-9SP to: identify private equity merchant banking activity, identify firms providing auditing services to the BHC, add an item for subordinated notes payable to trusts issuing trust preferred securities to the FR Y-9C balance sheet, and add a memoranda item for nonvoting equity capital to the FR Y-9SP. Additionally, the Federal Reserve requests public comment on modifying the FR Y-9LP filing deadline to be consistent with the FR Y-9C. The FR Y-9ES and FR Y-9CS would not be revised.

### **FR Y-9C**

The Federal Reserve proposes to make the following revisions to the FR Y-9C, effective as of March 31, 2005. Implementation of the proposed revisions to Schedule HC-M would be concurrent with the proposed changes to the Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12; OMB No. 7100-0300), effective March 31, 2005.

**Proposed Revisions to the Accelerated Filing Deadline.** The U.S. Securities and Exchange Commission (SEC) announced on August 26, 2004, a proposal to postpone, for one year, the final phase-in period for acceleration of report deadlines for certain larger companies. The SEC has proposed this change to allow additional time and opportunity for accelerated filers and their auditors to focus on the new requirements regarding internal control over financial reporting mandated by Section 404 of the Sarbanes-Oxley Act. In keeping with the SEC's proposed postponement, the Federal Reserve proposes to postpone for one year the accelerated filing deadline for quarterly reporting for top-tier BHCs to 35 days until the *June 2006* reporting date. The 35-day filing deadline would be effective for each quarter thereafter, except for the December reporting date, which would remain at 45 days.

### **Schedule HC – Balance Sheet**

- (1) The Federal Reserve proposes to add a new item 19.b, “Subordinated notes payable to trusts issuing trust preferred securities,” and renumber current item 19, “Subordinated notes and debentures” as item 19.a. Information on subordinated notes payable to trusts issuing trust preferred securities (TPS) would no longer be included in Schedule HC, item 20, “Other liabilities.” In addition, TPS would no longer be reported in Schedule HC-R, memoranda item 3.d, “Other cumulative preferred stock eligible for inclusion in Tier 1 capital (e.g., trust preferred securities) (included in Schedule HC, item 20 or 22).” The caption for memoranda item 3.d would be modified to remove the reference to TPS.

Currently, the amount of TPS eligible for inclusion in Tier 1 capital is included in Schedule HC-R, memoranda item 3.d, “Other cumulative preferred stock eligible for inclusion in Tier 1 capital,” along with any other hybrid instruments that are eligible

for inclusion in Tier 1 capital. In addition, TPS are included in Schedule HC, item 20, on the balance sheet. The Federal Reserve proposes to move the reporting of TPS directly to the balance sheet as a separate line item and to exclude TPS as part of Schedule HC, item 20 and as part of Schedule HC-R, memoranda item 3.d. Therefore memoranda item 3.d would only collect information on the amount of any other hybrid securities (other than TPS) that are eligible for inclusion in Tier 1 capital and reported in “Other liabilities” or as minority interest on the balance sheet. This change does not represent any change to the risk-based capital treatment for trust preferred securities. BHCs should continue to include the allowable amount of eligible TPS in their tier 1 capital for regulatory purposes.

The proper reporting classification (debt or equity) of TPS has been under debate and scrutiny during the past several years. In the last two years, the Financial Accounting Standards Board (FASB) has ruled that trust preferred securities should be reported as liabilities on the balance sheet. In March 2004, BHCs were instructed to include TPS in “Other liabilities.” Subsequently, the Federal Reserve decided that the reporting of TPS separately on the balance sheet would be consistent with how TPS are presented in other BHC public financial statements. The Federal Reserve believes it is more appropriate to report these instruments in a separate line item than to require them to be reported with many other items in “Other liabilities.” The proposed revisions would allow the Federal Reserve to continue to measure and monitor all TPS issued out of special purpose entities.

- (2) The Federal Reserve proposes to add a new memoranda item 1 to collect the name and address of the BHC’s external auditing firm and the name and email address of the engagement partner. The item would be collected initially in the March 31, 2005, report and then annually as of December 31.

This information would identify firms providing full-scope auditing services to top-tier BHCs in which an opinion is rendered on their financial statements. BHCs that do not have a full-scope audit conducted of their financial statements would not need to complete this item. This information would be used by the Federal Reserve to facilitate more efficient supervision of the banking industry on issues related to accounting and auditing. The information would also enable the Federal Reserve to more readily identify firms that may be interested in participating in regional CPA and examiner roundtable discussions and similar programs designed to improve communication between the accounting profession and the regulatory community. The name and email address of the engagement partner would be considered confidential, consistent with the treatment given to other contact information provided on the FR Y-9C.

## Schedule HC-M—Memoranda

The Federal Reserve proposes to modify or delete items used to determine if the reporting bank holding company must complete the FR Y-12 and add items to identify private equity merchant banking (PEMB) activity by institutions exempt from filing the FR Y-12.

- (1) Modify item 17, “Do your aggregate nonfinancial equity investments equal or exceed the lesser of \$200 million (on an acquisition cost basis) or 5 percent of the BHC’s consolidated Tier 1 capital as of the report date?” to decrease the aggregate nonfinancial equity investments threshold from \$200 million to \$100 million and increase the consolidated Tier 1 capital threshold from 5 percent to 10 percent. The current reporting criterion tends to require information to be reported by the very largest and the very smallest PEMB investors, but fails to identify mid-level participants. The reduction in the dollar threshold should lead to retrieving information from midsize participants, broadening the scope of monitoring PEMB activity. The proposed increase in the Tier 1 capital threshold would reduce burden for respondents, while continuing to screen for the smaller BHCs with a significant concentration of capital invested in this asset class. The Federal Reserve notes that there is limited usefulness in collecting detailed information on this type of activity from small BHCs with a minor concentration of capital invested in this asset class. This item would be renumbered as item 18.
- (2) Delete item 18, “Has the bank holding company made an effective election to become a financial holding company?” This information is readily available on the National Information Center database.
- (3) Add new item 19(a), “Has the bank holding company sold or otherwise liquidated its holding of any nonfinancial equity investment since the previous reporting period?” This information would be used as a measure to track PEMB transaction activity, including activity by BHCs that are not required to file the FR Y-12. This indicator would alert the Federal Reserve to the BHC’s heightened risk profile in this activity and could lead to increased supervisory scrutiny.
- (4) Modify item 19, “Does the bank holding company hold, directly or indirectly, an Edge corporation, Agreement corporation or Small Business Investment Company (SBIC) subsidiary or hold equities under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act?” to clarify the legal authority by restating the question as “Does the bank holding company hold, either directly or indirectly through a subsidiary or affiliate, any nonfinancial equity investments (see instructions for definition) within a Small Business Investment Company (SBIC) structure, or under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act, or pursuant to the merchant banking authority of section 4(k)4(H) of the Bank Holding Company Act, or pursuant to the investment authority granted by Regulation K?” This item would be renumbered as item 17.
- (5) Add new item 19(b), “Does the bank holding company manage any nonfinancial equity investments for the benefit of others?” This information would be used to identify PEMB participants, including participants that are not required to file the FR Y-12, and would provide a measure of the assumed additional legal and reputational risk associated with managing these investments for others.



Proposed items 17 and 18 would be used to determine if the reporting BHC must complete the FR Y-12. If the answer to item 17 is no, then the BHC does not need to complete the FR Y-12 and can skip item 18. If the answer to item 17 is yes and the answer to item 18 is no, then the BHC does not need to complete the FR Y-12. If the answer to both item 17 and item 18 is yes, then the BHC must complete the FR Y-12 report. All respondents that are not required to file the FR Y-12 must complete items 19(a) and 19(b).

The changes to Schedule HC-M are intended to dovetail with changes to information collected on the FR Y-12 regarding the supervision of merchant banking investments.

### **Instructions**

In addition to modifying instructions to incorporate the proposed reporting changes, instructions would be revised and clarified in an attempt to achieve greater consistency in reporting by respondents.

#### **FR Y-9LP**

The Federal Reserve proposes to make the following revisions to the FR Y-9LP, effective as of March 31, 2005.

**Filing Deadline** - A number of BHCs have requested that the filing deadline for the FR Y-9LP be made consistent with the FR Y-9C. Because the FR Y-9LP serves as source information for completing the FR Y-9C, information on the FR Y-9LP must be compiled prior to filing the FR Y-9C. Therefore filing the FR Y-9LP on the same time frame as the FR Y-9C would not entail any additional reporting burden and could actually result in less reporting burden due to fewer follow-up calls from the Federal Reserve. Instructions would be clarified in an attempt to achieve greater consistency in reporting by respondents.

#### **FR Y-9SP**

The FR Y-9SP is a parent company only financial statement filed by smaller BHCs as of the end of June and December. Respondents include one-bank holding companies with total consolidated assets of less than \$150 million and multibank holding companies with total consolidated assets of less than \$150 million that meet certain other criteria. This form is a simplified or abbreviated version of the more extensive parent company only financial statement for large BHCs (FR Y-9LP). This report collects basic balance sheet and income information for the parent company, information on intangible assets, and information on intercompany transactions.

The Federal Reserve proposes to make the following changes to the FR Y-9SP, effective as of June 30, 2005. Implementation of the proposed revisions to Schedule SC-M would be concurrent with the proposed changes to the FR Y-12, effective March 31, 2005.

## **Schedule SC—Balance Sheet**

The Federal Reserve proposes to add a new memoranda item 1 to collect the name and address of the BHC's external auditing firm and the name and email address of the engagement partner. The item would be collected initially in the June 30, 2005, report and then annually as of December 31. This information would identify firms providing full-scope auditing services to top-tier BHCs in which an opinion is rendered on the financial statements. BHCs that do not have a full-scope audit conducted of their financial statements would not need to complete this item. This information would be used by the Federal Reserve to facilitate more efficient supervision of the banking industry on issues related to accounting and auditing. The information would also enable the Federal Reserve to more readily identify firms that may be interested in participating in regional CPA and examiner roundtable discussions and similar programs designed to improve communication between the accounting profession and the regulatory community. The name and email address of the engagement partner would be considered confidential, consistent with the treatment given to other contact information provided on the FR Y-9SP.

## **Schedule SC-M—Memoranda**

**Private Equity Merchant Banking -** The Federal Reserve proposes to modify or delete items used to determine if the reporting bank holding company must complete the FR Y-12 and add items to identify private equity merchant banking (PEMB) activity by institutions exempt from filing the FR Y-12.

- (1) Modify item 18, "Do your aggregate nonfinancial equity investments equal or exceed (on an acquisition cost basis) 5 percent of the BHC's total capital as of the report date?" to increase the total capital threshold from 5 percent to 10 percent. The proposed increase in the total capital threshold would reduce burden for respondents, while continuing to screen for the smaller BHCs with a significant concentration of capital invested in this asset class. The Federal Reserve notes that there is limited usefulness in collecting detailed information on this type of activity from small BHCs with a minor concentration of capital invested in this asset class. This item would be renumbered as item 19.
- (2) Delete item 19, "Has the bank holding company made an effective election to become a financial holding company?" This information is readily available on the National Information Center database.
- (3) Add new item 20(a), "Has the bank holding company sold or otherwise liquidated its holding of any nonfinancial equity investment since the previous reporting period?" This information would be used as a measure to track PEMB transaction activity, including activity by BHCs that are not required to file the FR Y-12. This indicator would alert the Federal Reserve to the BHC's heightened risk profile in this activity and could lead to increased supervisory scrutiny.
- (4) Modify item 20, "Does the bank holding company hold, directly or indirectly, an Edge corporation, Agreement corporation or Small Business Investment Company (SBIC) subsidiary or hold equities under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act?" to clarify the legal authority by restating the question as

“Does the bank holding company hold, either directly or indirectly through a subsidiary or affiliate, any nonfinancial equity investments (see instructions for definition) within a Small Business Investment Company (SBIC) structure, or under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act, or pursuant to the merchant banking authority of section 4(k)(4)(H) of the Bank Holding Company Act, or pursuant to the investment authority granted by Regulation K?” This item would be renumbered as item 18.

- (5) Add new item 20(b), “Does the bank holding company manage any nonfinancial equity investments for the benefit of others?” This information would be used to identify PEMB participants, including participants that are not required to file the FR Y-12, and would provide a measure of the assumed additional legal and reputational risk associated with managing these investments for others.

Proposed items 18 and 19 would be used to determine if the reporting BHC must complete the FR Y-12. If the answer to item 18 is no, then the BHC does not need to complete the FR Y-12 and can skip item 19. If the answer to item 18 is yes and the answer to item 19 is no, then the BHC does not need to complete the FR Y-12. If the answer to both item 18 and item 19 is yes, then the BHC must complete the FR Y-12 report. All respondents that are not required to file the FR Y-12 must complete items 20(a) and 20(b).

The changes to Schedule SC-M are intended to dovetail with changes to information collected on the FR Y-12 regarding the supervision of merchant banking investments.

**Nonvoting Equity Capital** - The Federal Reserve proposes to add a new item 4, “Amount of nonvoting equity capital, including related surplus (included in balance sheet items 16.a, 16.b, 16.c, and 16.d).” This item would include the amount of retained earnings and accumulated other comprehensive income that is associated with perpetual preferred and other stock which does not possess voting rights.

Collecting nonvoting equity information would enable examiners and analysts to more readily evaluate the adequacy of the quality of capital in BHCs and to assess the significance of any changes that occur in the quality of capital in the organization. This additional detail has become necessary as the Federal Reserve’s supervision function performs more off-site monitoring of BHCs in lieu of inspections or other on-site supervision. This information would facilitate monitoring the proportion of nonvoting and voting stock of a BHC as it approaches the threshold for filing the FR Y-9C, and becomes subject to the consolidated Capital Adequacy Guidelines.

### **Instructions**

In addition to modifying instructions to incorporate the proposed reporting changes, instructions would be revised and clarified in an attempt to achieve greater consistency in reporting by respondents.

3. *Report title:* Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies.

*Agency form number:* FR Y-11 and FR Y-11S

*OMB control number:* 7100-0244.

*Frequency:* Quarterly and annually.

*Reporters:* Bank holding companies (BHCs).

*Annual reporting hours:* 31,877 hours.

*Estimated average hours per response:*

FR Y-11 (quarterly): 6 hours,

FR Y-11 (annual): 6 hours,

FR Y-11S (annual): 1 hour.

*Number of respondents:*

FR Y-11 (quarterly): 1,246,

FR Y-11 (annual): 218,

FR Y-11S (annual): 665.

*General description of report:* This information collection is mandatory (12 U.S.C. §§1844(c)). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6) and (b)(8) of the Freedom of Information Act [5 U.S.C. §§522(b)(4), (b)(6) and (b)(8)].

*Abstract:* The FR Y-11 and FR Y-11S collect financial information for individual U.S. nonbank subsidiaries of BHCs located in the United States. The FR Y-11 consists of a balance sheet and income statement; information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet items, and loans; and a memoranda section. The FR Y-11S is an abbreviated form that comprises four data items: net income, total assets, equity capital, and total off-balance-sheet items. The data are used in conjunction with data from other BHC reports to assess the condition of BHCs that are heavily engaged in nonbanking activities and to monitor the volume, nature, and condition of their nonbanking operations.

*Current Actions:* The Federal Reserve proposes to revise the FR Y-11 reporting instructions with respect to balances due from related organizations, to insure consistent reporting of unconsolidated subsidiaries. The revisions to the FR Y-11 would be effective as of the March 31, 2005, report date.

4. *Report title:* Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations.

*Agency form number:* FR 2314 and FR 2314S.

*OMB control number:* 7100-0073.

*Frequency:* Quarterly and annually.

*Reporters:* Foreign subsidiaries of U.S. state member banks, bank holding companies, and Edge or agreement corporations.

*Annual reporting hours:* 4,855 hours.

*Estimated average hours per response:*

FR 2314 (quarterly): 6 hours,

FR 2314 (annual): 6 hours,

FR 2314S (annual): 1 hour.

*Number of respondents:*

FR 2314 (quarterly): 156,

FR 2314 (annual): 143,

FR 2314S (annual): 253.

*General description of report:* This information collection is mandatory (12 U.S.C. §§324, 602, 625, and 1844). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6) and (b)(8) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) (b)(6) and (b)(8)].

*Abstract:* The FR 2314 reports are collected from U.S. member banks, Edge and agreement corporations, and BHCs for their direct or indirect foreign subsidiaries. The FR 2314 reports collect information on assets, income, equity capital, and off-balance sheet items. The FR 2314S is an abbreviated form that comprises four data items: net income, total assets, equity capital, and total off-balance sheet items. The data are used to identify current and potential problems at the foreign subsidiaries of U.S. parent companies, to monitor the activities of U.S. banking organizations in specific countries, and to develop a better understanding of activities within the industry, in general, and of individual institutions, in particular. The FR 2314 is the only source of comprehensive and systematic data on the assets, liabilities, and earnings of the foreign bank and nonbank subsidiaries of U.S. SMBs, BHCs, and Edge and agreement corporations.

*Current Actions:* The Federal Reserve proposes to revise the FR 2314 reporting instructions with respect to balances due from related organizations, to insure consistent reporting of unconsolidated subsidiaries. The revisions to the FR 2314 would be effective as of the March 31, 2005, report date.

Board of Governors of the Federal Reserve System, October 19, 2004.

(signed)

**Jennifer J. Johnson,**  
Secretary of the Board.